

TAYLOR HOUSING COMMISSION
TAYLOR, MICHIGAN

FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2007
AND
REPORTS ON INTERNAL CONTROL AND
COMPLIANCE

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Taylor Housing Commission	County Wayne
Fiscal Year End March 31, 2007	Opinion Date November 16, 2007	Date Audit Report Submitted to State November 17, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

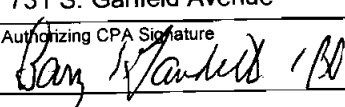
We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES ☒ NO ☐ Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☐ ☒ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input checked="" type="checkbox"/>	Reports of Compliance and Internal Controls	
Certified Public Accountant (Firm Name) Barry E. Gaudette, CPA, PC		Telephone Number (231) 946-8930	
Street Address 731 S. Garfield Avenue		City Traverse City	State MI
Zip 49686		License Number 11050	
Authorizing CPA Signature 		Printed Name Barry E. Gaudette, CPA	

TAYLOR HOUSING COMMISSION
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INTRODUCTION

Independent Auditor's Report

Board of Commissioners
Taylor Housing Commission
Taylor, Michigan

I have audited the accompanying financial statements of the business-type activities of Taylor Housing Commission, Michigan, a component unit of the City of Taylor, as of and for the year ended March 31, 2007, which collectively comprise the Housing Commission's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Housing Commission's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

The basic financial statements referred to above include only the Taylor Housing Commission (a component unit of the City of Taylor), which consists of programs that comprise the Housing Commission's legal entity. The financial statements do not include financial data for the Housing Commission's legally separate component unit, Taylor Community Development Corporation (a not-for-profit Michigan Corporation), which accounting principles generally accepted in the United States of America require to be reported with the financial data of the Housing Commission. As a result, the Housing Commission financial statements do not purport to, and do not, present fairly the financial position of the reporting entity of the Taylor Community Development Corporation, Michigan, as June 30, 2007, the changes in its financial position, or, where applicable, its cash flows for the year then ended in conformity

Taylor Housing Commission
Independent Auditor's Report
Page Two

with accounting principles generally accepted in the United States of America. In accordance with accounting principles generally accepted in the United States of America, Taylor Community Development Corporation, Michigan, has issued separate reporting entity financial statements for which other auditors have issued their report dated November 15, 2007.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of Taylor Housing Commission, Michigan, as of March 31, 2007, and the respective changes in financial position and cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated November 16, 2007, on my consideration of Taylor Housing Commission, Michigan's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of my audit.

The management's discussion and analysis comparison information on pages 4 through 12, are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming an opinion on the financial statements that comprise Taylor Housing Commission, Michigan's basic financial statements. The accompanying financial data schedule is presented for the purpose of additional analysis and is not a required part of the basic financial statements of the Housing Commission. The accompanying schedule of expenditures of federal awards, is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements

Taylor Housing Commission
Independent Auditor's Report
Page Three

of Taylor Housing Commission, Michigan. The combining financial statements, schedule of expenditures of federal awards, and the financial data schedule have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Samy E. Lawdett, CPA, PL

November 16, 2007

**Taylor Housing Commission
Management's Discussion and Analysis (MD&A)
March 31, 2007
(Unaudited)**

As management of the Taylor Housing Commission we offer reviewers of this audit report this narrative discussion and analysis of the Taylor Housing Commission's financial activities for the fiscal year ended March 31, 2007. This discussion and analysis letter of the Taylor Housing Commission's financial performance should be read in conjunction with the auditor's opinion letter and the following Financial Statements.

The combined financial statements reflect all of the Commission's federally funded programs and activities in one place. The Commission reports all its activities and programs using the Enterprise Fund type model. HUD encourages PHAs to use this accounting method as it is normally used to account for "business-type activities" - activities similar to those found in the private sector. Enterprise Fund types use the accrual method of accounting, the same accounting method employed by most private-sector businesses. Under this method, revenues and expenditures may be reported as such even though no cash transaction has actually taken place.

FINANCIAL HIGHLIGHTS

The term "net assets" refers to the difference between assets and liabilities. The Commission's total net assets as of March 31, 2007 were \$5,682,150. The net assets decreased by \$2,558,872, an increase of 81.93% over the prior year.

Revenues and contributions for the Commission were \$6,878,145 for the fiscal year ended March 31, 2007. This was an increase of \$3,049,029 or 79.6% from the prior year.

Expenses for the Commission were \$4,334,273 for the fiscal year ended March 31, 2007. This was an increase of \$893,209 or 26.0% over the prior year.

HUD operating grants were \$6,513,536 for the fiscal year ended March 31, 2007. This was an increase of \$3,099,815 or 90.8% over the prior year. Capital contributions were \$30,000 for the fiscal year ended March 31, 2007. This was a decrease of \$87,610 or 74.5% from the prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report contains this *Management & Discussion Analysis* report, the *Basic Financial Statements* and the *Notes to the Financial Statements*. This report also contains the Financial Data Schedule (FDS) as referenced in the section of *Supplemental Information*. The Commission's financial statements are presented

Taylor Housing Commission
Management's Discussion and Analysis (MD&A)
(Continued)
March 31, 2007

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

as fund financial statements because the Commission only has proprietary funds.

Required Financial Statements

The *Statement of Net Assets* includes the Commission's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and obligations of the Commission creditors (liabilities). It also provides the basis for evaluating the liquidity and financial flexibility of the Commission.

All of the current year's revenues and expenses are accounted for in the *Statement of Revenues, Expenses, and Changes in Net Assets*. This statement measures the success of the Commission's operations over the past year and can be used to determine whether the Commission has successfully recovered all its costs through its user fees and other charges, profitability and credit worthiness.

The final required financial statement is the *Statement of Cash Flows*. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing and financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in the cash balance during the reporting period.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements and provide more detailed data.

Supplemental Information

This report also contains the Financial Data Schedule (FDS) as referenced in the section of *Supplemental Information*. HUD has established Uniform Financial Reporting Standards that require Housing Commissions to submit financial information electronically to HUD using the FDS format. This financial information was electronically transmitted to the Real Estate Assessment Center (REAC) and is required to be included in the audit reporting package.

**Taylor Housing Commission
Management's Discussion and Analysis (MD&A)
(Continued)
March 31, 2007**

FUND STATEMENTS

The Financial Data Schedule reports the Commission's operations in more detail. The Commission reports all its activities using Enterprise fund types. These funds are used to show activities that operate more like commercial enterprises. The Financial Data Schedule is organized by the government Catalogue of Financial Domestic Assistance (CFDA) numbers.

Taylor Housing Commission Programs:

Low Rent Public Housing: Under this program, the Housing Commission rents units that it owns to low-income elderly and family households. This program is operated under an Annual Contributions Contract with HUD. HUD provides Operating Subsidies to enable the Housing Commission to lease these units at a rate that is based on 30% of the household income.

Capital Fund Program: Under this program, the Housing Commission is awarded funds each year to use for Capital Needs. The Housing Commission also has the ability to use up to 20% of these funds, if need be, to supplement Operating Subsidies. This program is the primary funding source for physical improvements to its properties.

Section 8 Housing Choice Voucher Program: Under this program, the Housing Commission administers contracts with independent landlords to provide housing for low-income households. These units are not owned by the Housing Commission. The Housing Commission subsidizes the family's rent via a "Housing Assistance Payment" made directly to the landlord. HUD provides subsidy to the Housing Commission to enable the Housing Commission to set the rental rates at 30% of a participant's income.

FINANCIAL ANALYSIS

Net assets may serve, over time, as a useful indicator of a government's financial position. As stated in the following table, assets exceeded liabilities by \$5,682,150 at the close of the fiscal year ended March 31, 2007 an increase from \$3,123,278 in 2006. The increase in net assets of \$2,558,872 was due to the change in net assets of \$2,543,872 for the fiscal year and a prior period adjustment of \$15,000.

The unrestricted net assets were \$3,418,473 as of March 31, 2007. This amount may be used to meet the Commission's ongoing obligations. The Commission had no net assets classified as

Taylor Housing Commission
Management's Discussion and Analysis (MD&A)
(Continued)
March 31, 2007

FINANCIAL ANALYSIS (CONTINUED)

restricted that are subject to external restrictions on how they may be used. At the end of the current fiscal year, the Commission is able to report positive balances in all categories of net assets. The same situation held true for the prior fiscal year.

**CONDENSED STATEMENTS OF NET ASSETS
MARCH 31,**

	<u>2007</u>	<u>2006</u>	<u>Dollar Change</u>	<u>Per Cent Change</u>
Current and other assets	\$3,493,510	\$ 825,321	\$2,668,189	100.00%
Capital assets	<u>2,263,677</u>	<u>2,337,813</u>	<u>(74,136)</u>	<u>(3.17)%</u>
Total Assets	<u>5,757,187</u>	<u>3,163,134</u>	<u>2,594,053</u>	82.01%
Current liabilities	65,823	39,856	25,967	65.15%
Noncurrent liabilities	<u>9,214</u>		<u>9,214</u>	100.00%
Total Liabilities	<u>75,037</u>	<u>39,856</u>	<u>35,181</u>	88.83%
Net Assets:				
Invested in capital assets	2,263,677	2,337,813	(74,136)	(3.17)%
Unrestricted	<u>3,418,473</u>	<u>785,465</u>	<u>2,633,008</u>	100.00%
Total Net Assets	<u>\$5,682,150</u>	<u>\$3,123,278</u>	<u>\$2,558,872</u>	81.93%

Total current assets increase of \$2,668,189 was due, in large part, to the Housing Choice Voucher programs cash increase of \$2,655,505 over the prior year.

Current liabilities increased by \$25,967 over the prior year, due in part, to accrued wage/payroll taxes payable of \$7,362 and accounts payable of \$18,661 being set up this fiscal year, whereas these liabilities weren't set up in the prior year. Long-term compensated absences of \$9,214 was classified as long-term this fiscal year, whereas in the prior year it was entirely classified as current.

The largest portion of the Commission's net assets reflects its investment in capital assets (e.g. land, buildings, equipment, and construction in progress) less accumulated depreciation. The Commission uses these capital assets to provide service and consequently these assets are not available to liquidate liabilities or other spending.

**Taylor Housing Commission
Management's Discussion and Analysis (MD&A)
(Continued)
March 31, 2007**

FINANCIAL ANALYSIS (CONTINUED)

While the Statement of Net Assets shows the change in financial position of net assets, the Statements of Revenues, Expenses, and Changes in Net Assets provides answers as to the nature and source of these changes.

As can be seen in the following table total revenues and contributions decreased by \$3,049,029, in large part, due to the Housing Choice Voucher programs HUD operating grants increasing by \$3,112,698 over the prior year. Other income increased by \$21,398, because of nondwelling rents decreased by \$8,555 and a one time charge of \$10,200 was received from Comcast Cable. Interest income increased by \$12,795, due in large part, to the increase in cash in the Housing Choice Voucher program.

**CONDENSED STATEMENTS OF REVENUES, EXPENSES,
AND CHANGES IN NET ASSETS
MARCH 31,**

	<u>2007</u>	<u>2006</u>	<u>Dollar</u> <u>Change</u>	<u>Per</u> <u>Cent</u> <u>Change</u>
Revenues and contributions				
Operating, nonoperating, capital contributions:				
Tenant Revenue	\$ 272,389	\$ 269,853	\$ 2,536	.9%
Nondwelling rent	<u>7,249</u>	<u>7,154</u>	<u>95</u>	1.3%
Total PHA generated Revenue	279,638	277,007	2,631	.9%
HUD operating grants	6,513,536	3,413,721	3,099,815	90.8%
Capital contributions	30,000	117,610	(87,610)	(74.5)%
Other income	29,720	8,322	21,398	100.0%
Interest income	<u>25,251</u>	<u>12,456</u>	<u>12,795</u>	100.0%
Total Revenues and Contributions	<u>6,878,145</u>	<u>3,829,116</u>	<u>3,049,029</u>	79.6%
Expenses				
Personal services	377,000	294,964	82,036	27.8%
Tenant services	2,589	1,859	730	39.3%
Utilities	146,038	125,398	20,640	16.5%
Operations and maintenance	122,805	89,880	32,925	36.6%
Insurance	42,180	47,301	(5,121)	(10.8)%
Other supplies and expenses	132,086	124,018	8,068	6.5%
Housing Assistance Payments	3,357,887	2,615,633	742,254	28.4%
Depreciation	<u>153,688</u>	<u>142,011</u>	<u>11,677</u>	8.2%

Taylor Housing Commission
Management's Discussion and Analysis (MD&A)
(Continued)
March 31, 2007

FINANCIAL ANALYSIS (CONTINUED)

	<u>2007</u>	<u>2006</u>	<u>Dollar Change</u>	<u>Per Cent Change</u>
Total Expenses	<u>4,334,273</u>	<u>3,441,064</u>	<u>893,209</u>	26.0%
Change in net assets	2,543,872	388,052	2,155,820	
Prior period adjustments	15,000	(8,605)	23,605	
Beginning net assets	<u>3,123,278</u>	<u>2,743,831</u>	<u>379,447</u>	
Ending net assets	<u>\$5,682,150</u>	<u>\$3,123,278</u>	<u>\$2,558,872</u>	

Revenues:

Taylor Housing Commission's primary revenue sources are subsidies and grants received by HUD. Please note that Capital Fund Program grants are classified as either soft cost revenue or hard cost revenue. Revenue received from HUD for fiscal year ended March 31, 2007 for Public Housing and for Section 8 increased from the fiscal year ending March 31, 2006 to March 31, 2007 by \$3,099,815. For fiscal year ending March 31, 2007, revenue generated by the Commission accounted for \$279,638 (or 4.1% of total revenue), while HUD contributions accounted for \$6,543,536 (or 95.1% of total revenue).

Expenses:

Total Expenses for the fiscal ending March 31, 2006 were \$3,441,064 while for the fiscal year ending March 31, 2007 was \$4,334,273. This represents a 26.0% increase in our Operating Costs. The expenses increased, in large part, because of more Housing Assistance Payments were made to landlords this fiscal year, an increase of \$742,254 over the prior year, i.e. 83.1% of the increase. Also, personal services increased by \$82,036 due to inflation increases and the executive director receiving a pay increase to reflect full-time status.

**Taylor Housing Commission
Management's Discussion and Analysis (MD&A)
(Continued)
March 31, 2007**

FINANCIAL ANALYSIS (CONTINUED)

The following represents changes in Federal Assistance received:

	<u>03/31/07</u>	<u>03/31/06</u>	<u>Dollar Change</u>	<u>Per Cent Change</u>
Public Housing				
Operating Subsidy	\$ 125,452	\$ 138,335	\$ (12,883)	(9.3)%
Capital Fund Program				
Grants	30,000	117,610	(87,610)	(74.5)%
Sec. 8 Voucher	6,388,084	3,275,386	3,112,698	95.0%
Total	<u>\$6,543,536</u>	<u>\$3,531,331</u>	<u>\$3,012,205</u>	<u>85.3%</u>

The above chart is segregated as to the Program source of funds, not the use of funds. The subsidy for Section 8 increased due to HUD's new method of disbursing voucher monies and an increase in the number of vouchers available. The subsidy for Public Housing decreased mainly due to tenant rents increasing. The decrease in the Capital Fund Program was due to the fact that work projects during the fiscal year ending March 31, 2007 progressed along less rapidly than the prior year, thus utilizing less of our Capital Fund Program funding in the fiscal year ending March 31, 2007 than in the fiscal year ending March 31, 2006.

Budget Analysis:

A Low Rent Public Housing Operating Budget for the fiscal year ending March 31, 2007 was presented to and approved by the Board of Commissioners. We had no reason to amend the budget during the fiscal year. Actual results were in line with budgeted amounts.

OPERATIONAL HIGHLIGHTS

The Taylor Housing Commission provided the following housing for low-income elderly and low-income families:

	<u>March 31, 2007</u>	<u>March 31, 2006</u>
Low Rent Public Housing	102	102
Sec. 8 Housing Choice Voucher	962	962

During the fiscal year ending March 31, 2007, Taylor Housing Commission maintained a lease-up rate of 100.0% in its Public Housing Program and a lease-up rate of 87.9% in its Section 8 program.

Taylor Housing Commission
Management's Discussion and Analysis (MD&A)
(Continued)
March 31, 2007

OPERATIONAL HIGHLIGHTS (CONTINUED)

During the fiscal year ending March 31, 2007, our Capital Fund Program work projects included:

A new phone system and boiler were purchased and installed this fiscal year. In the Housing Choice Voucher program capital outlays to convert available space to new offices were made during the current fiscal year.

CAPITAL ASSETS

Capital Assets - The Taylor Housing Commission's investment in capital assets, as of March 31, 2007 amounts to \$2,263,677 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, and equipment.

**CAPITAL ASSETS
NET OF ACCUMULATED DEPRECIATION
MARCH 31,**

	<u>2007</u>	<u>2006</u>	<u>Dollar Change</u>
Land	\$ 760,000	\$ 761,485	\$(1,485)
Buildings	4,143,266	3,930,723	212,543
Furniture, equipment and machinery - dwellings	220,993	220,993	
Furniture, equipment and machinery - administration	233,898	169,347	64,551
Construction in progress	<u>15,000</u>	<u>211,058</u>	<u>(196,058)</u>
	5,373,157	5,293,606	79,551
Accumulated depreciation	<u>(3,109,480)</u>	<u>(2,955,793)</u>	<u>(153,687)</u>
Total	<u>\$ 2,263,677</u>	<u>\$ 2,337,813</u>	<u>\$(74,136)</u>

Capital assets decreased by \$74,136, because capital outlays of \$64,551, depreciation of \$153,688 and a prior period adjustment of \$15,000 for a check charged to CFP in error.

Taylor Housing Commission
Management's Discussion and Analysis (MD&A)
(Continued)
March 31, 2007

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The Housing Commission is primarily dependent upon HUD for the funding of operations as well as capital needs. Therefore, the Housing Commission is affected more by the Federal Budget than by local economic conditions. The funding of programs could be significantly affected by the Federal Budget.

Although the Housing Commission remains concerned about the future levels of HUD funding due to the state of the federal budget, we feel that we are both financially and operationally in a strong position to continue to provide safe, sanitary, and decent housing to our residents.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the Commission's finances for all those with an interest in its finances. Questions or comments concerning any of the information contained in this report or request for additional information should be directed to:

Frederick E. Zorn, Jr., Executive Director
Taylor Housing Commission
15270 Plaza South Drive
Taylor, MI 48180

FINANCIAL STATEMENTS

TAYLOR HOUSING COMMISSION

STATEMENT OF NET ASSETS

March 31, 2007

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ASSETS

Current Assets:

Cash and cash equivalents	\$ 3,087,502
Receivables	3,307
Investments	367,987
Prepaid expenses	<u>34,714</u>

Total Current Assets	<u>3,493,510</u>
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Capital Assets:

Land	760,000
Buildings	4,143,266
Equipment	454,891
Construction in progress	<u>15,000</u>

	5,373,157
Less: accumulated depreciation	<u>(3,109,480)</u>

Net Capital Assets	<u>2,263,677</u>
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Total Assets	<u><u>\$ 5,757,187</u></u>
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See notes to financial statements

TAYLOR HOUSING COMMISSION
STATEMENT OF NET ASSETS (CONTINUED)
March 31, 2007
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LIABILITIES and NET ASSETS

Current Liabilities:	
Accounts payable	\$ 18,661
Tenant security deposit liability	33,996
Accrued expenses	8,386
Deferred revenues	<u>4,780</u>
Total Current Liabilities	65,823
Noncurrent liabilities:	
Accrued compensated absences	<u>9,214</u>
Total Liabilities	<u>75,037</u>
Net Assets:	
Invested in capital assets	2,263,677
Unrestricted net assets	<u>3,418,473</u>
Total Net Assets	<u>5,682,150</u>
Total Liabilities and Net Assets	<u>\$ 5,757,187</u>

See notes to financial statements

TAYLOR HOUSING COMMISSION
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET ASSETS

Year Ended March 31, 2007

=====

OPERATING REVENUES:

Dwelling rent	\$ 272,389
Nondwelling rent	<u>7,249</u>

Total operating revenues	<u>279,638</u>
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OPERATING EXPENSES:

Administration	424,309
Tenant services	2,589
Utilities	146,038
Ordinary maintenance and operation	206,854
General expenses	42,908
Housing assistance payments	3,357,887
Depreciation	<u>153,688</u>

Total operating expenses	<u>4,334,273</u>
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Operating income(loss)	<u>_(4,054,635)</u>
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NONOPERATING REVENUES:

Investment interest income	25,251
Other income	29,720
Operating grants	6,528,536
Capital grants	<u>15,000</u>

Total nonoperating revenues	<u>6,598,507</u>
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Change in net assets	2,543,872
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Prior period adjustments, equity transfers and correction of errors	15,000
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Net assets, beginning	<u>3,123,278</u>
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Net assets, ending	<u><u>\$ 5,682,150</u></u>
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See notes to financial statements

TAYLOR HOUSING COMMISSION
STATEMENT OF CASH FLOWS
Year Ended March 31, 2007
=====

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from dwelling and nondwelling rents	\$ 281,335
Cash payments to other suppliers of goods and services	(3,802,756)
Cash payments to employees for services	<u>(366,020)</u>
Net cash (used) by operating activities	<u>(3,887,441)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:

Tenant security deposits	4,383
Operating grants	6,528,536
Other revenue	<u>29,720</u>
Net cash provided by noncapital financing activities	<u>6,562,639</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Capital grants	15,000
Payments for capital acquisitions	<u>(64,551)</u>
Net cash (used) by capital and related financing activities	<u>(49,551)</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Investments increased by	(14,839)
Receipts of interest and dividends	<u>25,251</u>
Net cash provided by investing activities	<u>10,412</u>

Net increase(decrease) in cash	2,636,059
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Cash and cash equivalents, beginning	<u>451,443</u>
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Cash and cash equivalents, ending	<u>\$ 3,087,502</u>
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TAYLOR HOUSING COMMISSION
STATEMENT OF CASH FLOWS (CONTINUED)
Year Ended March 31, 2007
=====

RECONCILIATION OPERATING INCOME(LOSS)
TO NET CASH PROVIDED BY OPERATING
ACTIVITIES:

Operating income(loss)	\$(4,054,635)
Adjustments to reconcile operating (loss) to net cash provided(used) by operating activities:	
Depreciation	153,688
Changes in assets and liabilities:	
(Increase) decrease in assets:	
Accounts receivable-tenants	(1,269)
Prepaid expenses	(16,023)
Increase (decrease) in liabilities:	
Accounts payable	18,661
Accrued wage/payroll taxes payable	7,362
Accrued compensated absences	1,809
Deferred revenues	<u>2,966</u>
Net cash (used) by operating activities	<u><u>\$(3,887,441)</u></u>

See notes to financial statements

TAYLOR HOUSING COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS
March 31, 2007
=====

NOTE 1: Summary of Significant Accounting Policies

The Taylor Housing Commission (the Housing Commission) is a component unit of the City of Taylor, a Michigan home rule city. The Housing Commission is a Public Housing Agency created by the City of Taylor on May 29, 1967, consisting of a five member board appointed by the City Manager and charged with the responsibility to provide low-rent housing, under the low rent program Annual Contributions Contract for qualified individuals in accordance with the rules and regulations prescribed by the Department of Housing and Urban Development and other Federal agencies.

The Housing Commission complies with U.S. generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the financial statements for the proprietary fund, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. For enterprise funds, GASB Statement Nos. 20 and 34 provide the Housing Commission the option of electing to apply FASB pronouncements issued after November 30, 1989, except for those that conflict with or contradict a GASB pronouncement. The Housing Commission has elected not to apply those pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note.

1(a) Financial Reporting Entity

The Housing Commission's financial reporting entity comprises the following:

Primary Government:	Housing Commission
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In determining the financial reporting entity, the Housing Commission complies with the provisions of GASB Statement No. 14 as amended by GASB No. 39, "The Financial Reporting Entity", and includes all component units, if any, of which the Housing Commission appointed a voting majority of the units' board; the Housing Commission is either able to impose its will on the unit or a financial benefit or burden relationship exists. There are no agencies, organizations or activities meeting this criteria, other than the Taylor Community Development Corporation (a not-for-profit Michigan Corporation).

1(b) Basis of Presentation

Financial statements of the reporting entity's programs are organized and reported as an enterprise fund and are accounted for by providing a set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Enterprise funds are used to account for business-like activities provided to its tenants. These activities are financed primarily by user charges and/or Federal funding and the measurement of financial activity focuses on net income measurement similar to the private sector. The reporting entity includes all of the Housing Commission's programs as an enterprise fund.

Following is a description of the Housing Commission's programs:

Program	Brief Description
Low Rent	Accounts for activities of the Public and Indian Housing program which HUD provides an annual subsidy to help public housing agencies (PHAs) pay some of the cost of operating and maintaining public housing units.
Housing Choice Vouchers	Accounts for activities of the Voucher program which assists very low income families, the elderly, and the disabled to afford decent, safe and sanitary housing in the private market.
Capital Fund Program	Accounts for activities of the Capital Fund which provides funds to housing authorities to modernize public housing developments.

1(c) Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Measurement Focus

In the financial statements, the "economic resources" measurement focus is used as follows:

The proprietary fund utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current

or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.

Basis of Accounting

In the financial statements, the proprietary fund utilizes the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

1(d) Assets, Liabilities, and Equity

Cash and Investments

For the purpose of the Statement of Net Assets, "cash and cash equivalents" includes all demand, savings accounts, and certificates of deposits or short-term investments with an original maturity of three months or less. For the purpose of the Statement of Cash Flows, "cash and cash equivalents" include all demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less.

Investments are carried at fair value except for short-term U.S. Treasury obligations, if any, with a remaining maturity at the time of purchase of one year or less. Those investments, if any, are reported at amortized cost. Fair value is based on quoted market price. Additional cash and investment disclosures are presented in Note 2(b) and 3(a).

Interprogram Receivables and Payables

During the course of operations, numerous transactions occur within individual programs that may result in amounts owed between these programs. Offsetting interprograms are eliminated for financial statement presentation.

Receivables

Receivables consist of all revenues earned at year-end and not yet received. Tenant accounts receivable, accrued interest receivable and accounts receivable from U.S. Department of Housing and Urban Development compose the majority of receivables. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

Inventories

Inventories are valued at average cost, and consist of expendable supplies held for consumption. The cost of inventories are recorded as expenditures when consumed, rather than when purchased.

Insurance

The premiums on all major insurance policies are charged to prepaid insurance and amortized over the life of the policy.

Budgets and Budgetary Accounting

The Housing Commission adopts a formal operating budget each year for its operating programs and on a project length basis for its capital expenditures which are approved by the Board of Commissioners and submitted to the Department of Housing and Urban Development for their approval, if required.

Estimates and Assumptions

The Housing Commission uses estimates and assumptions in preparing financial statements. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and expenses.

Capital Assets

The accounting treatment over property, plant, and equipment (capital assets) is as follows:

In the financial statements, capital assets purchased or acquired with an original cost of \$300 or more are accounted for as capital assets. All capital assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of donation.

Depreciation of all exhaustible capital assets are recorded as an allocated expense depending on the program where the asset is shown, in the Statement of Revenues, Expenses and Changes in Net Assets, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings & improvements	15 -40 years
Equipment - dwellings	5 -10 years
Maintenance equipment	7 years
Office equipment	3 - 7 years
Other	7 -15 years

Compensated Absences

The Housing Commission's policies regarding vacation time permit employees to accumulate earned but unused vacation leave. The liability for these compensated absences is recorded as short-term and long-term liabilities based on historical trends. In

accordance with the provisions of GASB Statement No. 16, no liability is recorded for non-vesting accumulating rights to receive sick pay benefits.

Equity Classifications

Equity is classified as net assets and displayed in two components:

- a. Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowing that are attributable to the acquisition, construction, or improvement of those assets. The Housing Commission had no related debt.
- b. Unrestricted net assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

1(e) Revenues, Expenditures, and Expenses

Operating Revenues and Expenses

Operating revenues and expenses are those that result from providing services and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities.

Non-operating revenues and expenses are those that are not operating in nature.

Interfund Transfers

For the purposes of the Statement of Revenues, Expenses, and Changes in Net Assets, all interfund transfers between individual programs, if any, have been eliminated.

Post Employment Benefits

The provision for pension cost is recorded on an accrual basis, and the Commission's policy is to fund pension costs as they accrue.

Income Taxes

As a component unit of a Michigan City, the Housing Commission is exempt from federal and state income taxes. The Housing Commission has no unrelated business income.

NOTE 2: Stewardship, Compliance, and Accountability

The Housing Commission and its component units, if any, are subject to various federal, state, and local laws and contractual regulations. An analysis of the Housing Commission's compliance with significant laws and regulations and demonstration of its stewardship over Housing Commission resources follows.

2(a) Program Accounting Requirements

The Housing Commission complies with all state and local laws and regulations requiring the use of separate programs. The programs used by the Housing Commission are as follows:

Program	Required By
Public and Indian Housing	U.S. Department of HUD
Housing Choice Vouchers	U.S. Department of HUD
Capital Fund Program	U.S. Department of HUD

2(b) Deposits and Investments Laws and Regulations

In accordance with state law, all uninsured deposits of the Housing Commission in financial institutions must be secured with acceptable collateral valued at the lower of market or par. All financial institutions pledging collateral to the Housing Commission must have a written Depository Agreement. As reflected in Note 3(a), all deposits were fully insured or collateralized.

Investments of the Housing Commission are limited by state law to the following:

- a. Direct obligations of the U.S. Government or its agencies or instrumentalities to which acceptable collateral is pledged.
- b. Certificates of deposit or savings accounts that are either insured or secured with acceptable collateral.

2(c) Revenue Restrictions

The Housing Commission has various restrictions placed over certain revenue sources. The primary restricted revenue sources include:

<i>Revenue Source</i>	<i>Legal Restrictions of Use</i>
Capital Fund Program	Modernization

For the year ended March 31, 2007, the Housing Commission complied, in all material respects, with these revenue restrictions.

NOTE 3: Detail Notes on Transactions Classes/Accounts

The following notes present detail information to support the amounts reported in the basic financial statements for its various assets, liabilities, equity, revenues, and expenditures/expenses.

3(a) Cash and Investments**Deposits**

The Housing Commission's policies regarding deposits of cash are discussed in Note 1(d). The table presented below is designed to disclose the level of custody credit risk assumed by the Housing Commission based upon how its deposits were insured or secured with collateral at March 31, 2007. The categories of credit risk are defined as follows:

Category 1 - Insured by FDIC or collateralized with securities held by the Housing Commission (or public trust) or by its agent in its name.

Category 2 - Uninsured but collateralized with securities held by the pledging financial institution's trust department or agent in the Housing Commission's name.

Category 3 - Uninsured and uncollateralized; or collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the Housing Commission's name; or collateralized with no written or approved collateral agreement.

	Total Bank Balance	Custody Credit Risk			Total Carrying Value
		Category 1	Category 2	Category 3	
Demand deposits	\$3,093,155	\$ 100,000	\$2,993,155	\$	\$3,087,152
	<u>\$3,093,155</u>	<u>\$ 100,000</u>	<u>\$2,993,155</u>	<u>\$</u>	<u>\$3,087,152</u>

Investments

The Housing Commission's policies and applicable laws regarding investments are discussed in Note 1(d) and 2(b). The table presented below is designed to disclose the level of market risk and custody credit risk assumed by the Housing Commission (or public trust) based upon whether the investments are insured or registered and upon who holds the security at March 31, 2007. The categories of credit risk are defined as follows:

Category 1 - Insured or registered with securities held by the Housing Commission or its agent in the Housing Commission's name.

Category 2 - Uninsured and unregistered with securities held by counterparty's trust department or agent in the Housing Commission's name.

Category 3 - Uninsured and unregistered with securities held by the counterparty or by its trust department or agent but not in the Housing Commission's name.

	<u>Custody Credit Risk</u>			<u>Carrying Amount</u>	<u>Fair Value</u>
	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>		
Certificates of deposits	<u>\$ 100,000</u>	<u>\$267,987</u>	<u>\$</u>	<u>\$ 367,987</u>	<u>\$ 367,987</u>

A reconciliation of cash as shown on the combined statement of net assets is as follows:

Cash on hand	\$ 350
Carrying amount of deposits	3,087,152
Investments	367,987
Total	<u>\$3,455,489</u>

Cash and investments:	
Enterprise activities	\$3,462,042
Enterprise activities - checks written in excess of deposits	(6,553)
Total	<u>\$3,455,489</u>

3(b) Accounts Receivable

Receivables detail at March 31, 2007, is as follows:

Tenant accounts receivable	<u>\$ 3,307</u>
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3(c) Capital Assets

Capital asset activity for the year ended March 31, 2007, was as follows:

	<u>Balance 03/31/06</u>	<u>Additions/ Transfers</u>	<u>Retirements/ Transfers</u>	<u>Balance 03/31/07</u>
Low Rent Program				
Land	\$ 761,485	\$	\$ (1,485)	\$ 760,000
Buildings	3,930,723	212,543		4,143,266
Furniture, equip. & machinery - dwellings	220,993			220,993
Furniture, equip. & machinery - administration	140,304	29,710		170,014
	5,053,505	<u>\$ 242,253</u>	<u>\$ (1,485)</u>	5,294,273
Less accumulated depreciation	<u>(2,926,750)</u>	<u>\$ (150,203)</u>	<u>\$</u>	<u>(3,076,953)</u>
Total	<u>\$2,126,755</u>			<u>\$2,217,320</u>

	<u>Balance</u> <u>03/31/06</u>	<u>Additions/</u> <u>Transfers</u>	<u>Retirements/</u> <u>Transfers</u>	<u>Balance</u> <u>03/31/07</u>
Capital Fund Program				
Construction in progress	\$ 211,058	\$ 15,000	\$ (211,058)	\$ 15,000
Housing Choice Voucher Program				
Furniture, equip. & machinery - administration	\$ 29,043	\$ 34,841	\$	\$ 63,884
Less accumulated depreciation	(29,043)	\$ (3,484)	\$	(32,527)
Total	<u>\$</u>			<u>\$ 31,357</u>
Combined Totals				<u>\$2,263,677</u>

3(d) Accounts Payable

Payable detail at March 31, 2007, is as follows:

Accounts payable - vendors	<u>\$ 18,661</u>
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3(e) Accrued Expenses

Accrued expense detail at March 31, 2007, is as follows:

Accrued wage/payroll taxes payable	\$ 7,362
Accrued compensated absences-current portion	<u>1,024</u>
	<u>\$ 8,386</u>

3(f) Non-current Liabilities

As of March 31, 2007, the non-current liabilities are comprised of the following:

Accrued compensated absences - noncurrent portion	<u>\$ 9,214</u>
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3(g) Interprogram Transactions and Balances

Operating Transfers

There was an operating transfer of \$15,000 from the capital fund program to the low rent program during the fiscal year ended March 31, 2007.

Interprogram Receivable/Payable

Housing Choice Voucher Program	\$ 26,037
Low Rent Program	<u>(26,037)</u>
	<u>\$</u>

NOTE 4: Other Notes

4(a) Employee Retirement Plan

Each employee is covered under a defined benefit plan with the Michigan Municipal Employees Retirement System (MERS) that provides for annual employer contributions with complete vesting after 10 years of service and normal retirement age at 60 years of age. At December 31, 2006, the date of the last completed actuarial evaluation, the Housing Commission's present value of accrued benefits for retirement benefits was \$96,749. The valuation of assets to meet this obligation was \$141,315, therefore the underfunded amount is \$44,566. The Housing Commission computed employer contributions as a percentage of payroll of 6.20%. The Housing Commission's estimated monthly dollar contribution is \$1,084. The annual payroll is \$209,924 with five(5) active members, no vested former members, and no retirees and beneficiaries.

4(b) Risk Management

The Housing Commission is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employees health and life; and natural disasters. The Housing Commission manages these various risks of loss as follows:

Type of Loss	Method Managed
a. Torts, errors and omissions	Purchased insurance from Housing Authority Risk Retention Group.
b. Injuries to employees (workers' compensation)	Purchased with the Accident Fund Insurance Company.
c. Physical property loss and natural disasters	Purchased commercial insurance from Housing Authority Risk Retention Group.
d. Health, life, Dental, and optical	Included in the City of Taylor plan.

Management believes such coverage is sufficient to preclude any significant uninsured losses to the Housing Commission. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

4(c) Commitments and Contingencies

Commitments - Construction

At March 31, 2007, the Housing Commission had the following pending construction projects in progress:

	<u>Funds Approved</u>	<u>Funds Expended - Project to Date</u>
2005 CFP	\$ 137,992	\$ 37,892
2006 CFP	110,290	-
2007 CFP	107,162	-
	<u>\$ 217,452</u>	<u>\$ 37,892</u>

Contingencies

The Housing Commission is subject to possible examination by Federal and State authorities who determine compliance with terms, conditions, laws and regulations governing other grants given to the Housing Commission in the current and prior years. No significant violations of finance-related legal or contractual provisions occurred.

4(d) Prior Period Adjustments, Equity Transfers and Correction of Errors

Low Rent Program

Check charged to cfp in error	\$ 15,000
Equity transfer	<u>211,058</u>
	<u>\$ 226,058</u>

Capital Fund Program

Equity transfer	<u>\$ 211,058</u>
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SUPPLEMENTARY INFORMATION

TAYLOR HOUSING COMMISSION
COMBINING STATEMENT OF NET ASSETS
BY PROGRAM
 March 31, 2007

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C-871	Capital
Low Rent	Fund
Program	Program
<u>14.850a</u>	<u>14.872</u>

ASSETS

Current assets:

Cash and cash equivalents	\$ 38,424	\$
Accounts receivable-tenants	3,307	
Investments-unrestricted	108,106	
Prepaid expenses	34,714	
Due from other programs	<u> </u>	<u> </u>
Total current assets	<u>184,551</u>	<u> </u>

Capital assets:

Land	760,000	
Buildings	4,143,266	
Equipment	391,007	
Construction in progress	<u> </u>	<u>15,000</u>
	5,294,273	15,000
Less accumulated depreciation	<u>(3,076,953)</u>	<u> </u>
Net capital assets	<u>2,217,320</u>	<u>15,000</u>
Total Assets	<u>\$ 2,401,871</u>	<u>\$ 15,000</u>

Housing Choice Vouchers <u>14.871</u>	<u>Totals</u>
\$3,049,078	\$ 3,087,502
	3,307
259,881	367,987
	34,714
<u>26,037</u>	<u>26,037</u>
<u>3,334,996</u>	<u>3,519,547</u>
	760,000
	4,143,266
63,884	454,891
	<u>15,000</u>
<u>63,884</u>	<u>5,373,157</u>
<u>(32,527)</u>	<u>(3,109,480)</u>
<u>31,357</u>	<u>2,263,677</u>
<u>\$3,366,353</u>	<u>\$ 5,783,224</u>

TAYLOR HOUSING COMMISSION
COMBINING STATEMENT OF NET ASSETS
BY PROGRAM (CONTINUED)
 March 31, 2007
 =====

C-871	Capital
Low Rent	Fund
Program	Program
<u>14.850a</u>	<u>14.872</u>

LIABILITIES and NET ASSETS

Current liabilities:

Accounts payable	\$ 18,661	\$
Tenant security deposit liability	33,996	
Accrued expenses	8,386	
Deferred revenues	4,780	
Due to other programs	<u>26,037</u>	<u> </u>
Total current liabilities	91,860	

Noncurrent liabilities:

Accrued compensated absences	<u>9,214</u>	<u> </u>
Total liabilities	<u>101,074</u>	<u> </u>

Net Assets:

Invested in capital assets	2,217,320	15,000
Unrestricted net assets	<u>83,477</u>	<u> </u>
Total net assets	<u>2,300,797</u>	<u>15,000</u>
Total Liabilities and Net Assets	<u>\$2,401,871</u>	<u>\$ 15,000</u>

Housing Choice Vouchers <u>14.871</u>	<u>Totals</u>
\$	\$ 18,661
	33,996
	8,386
	4,780
<u> </u>	<u>26,037</u>
	91,860
<u> </u>	<u>9,214</u>
<u> </u>	<u>101,074</u>
31,357	2,263,677
<u>3,334,996</u>	<u>3,418,473</u>
<u>3,366,353</u>	<u>5,682,150</u>
<u>\$3,366,353</u>	<u>\$ 5,783,224</u>

TAYLOR HOUSING COMMISSION
**COMBINING STATEMENT OF REVENUES, EXPENSES, AND
 CHANGES IN NET ASSETS BY PROGRAM**
 Year Ended March 31, 2007

=====

	C-871 Low Rent Program <u>14.850a</u>	Capital Fund Program <u>14.872</u>
OPERATING REVENUES:		
Dwelling rent	\$ 272,389	\$
Nondwelling rent	<u>7,249</u>	<u></u>
Total operating revenues	<u>279,638</u>	<u></u>
OPERATING EXPENSES:		
Administration	149,825	
Tenant services	2,589	
Utilities	146,038	
Ordinary maintenance and operation	143,749	
General expenses	42,908	
Housing assistance payments		
Depreciation	<u>150,204</u>	<u></u>
Total operating expenses	<u>635,313</u>	<u></u>
Operating income(loss)	<u>(355,675)</u>	<u></u>
NONOPERATING REVENUES:		
Operating transfers in(out)	15,000	(15,000)
Investment interest income	5,358	
Other income	29,720	
Operating grants	125,452	15,000
Capital grants	<u></u>	<u>15,000</u>
Total nonoperating revenues	<u>175,530</u>	<u>15,000</u>
Change in net assets	(180,145)	15,000
Prior period adjustments, equity transfers and correction of errors	226,058	(211,058)
Net assets, beginning	<u>2,254,884</u>	<u>211,058</u>
Net assets, ending	<u>\$2,300,797</u>	<u>\$ 15,000</u>

Housing Choice Vouchers <u>14.871</u>	<u>Totals</u>
 \$	 \$
<u> </u>	<u>272,389</u>
	<u>7,249</u>
<u> </u>	<u>279,638</u>
 274,484	 424,309
	2,589
	146,038
63,105	206,854
	42,908
3,357,887	3,357,887
<u>3,484</u>	<u>153,688</u>
<u>3,698,960</u>	<u>4,334,273</u>
<u>(3,698,960)</u>	<u>(4,054,635)</u>
 19,893	 25,251
	29,720
6,388,084	6,528,536
<u> </u>	<u>15,000</u>
<u>6,407,977</u>	<u>6,598,507</u>
2,709,017	2,543,872
	15,000
<u>657,336</u>	<u>3,123,278</u>
<u>\$3,366,353</u>	<u>\$ 5,682,150</u>

TAYLOR HOUSING COMMISSION
COMBINING STATEMENT OF CASH FLOWS
BY PROGRAM

Year Ended March 31, 2007

=====

	C-871 Low Rent Program <u>14.850a</u>	Capital Fund Program <u>14.872</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from dwelling and nondwelling rents	\$ 281,335	\$
Cash payments to other suppliers of goods and services	(266,992)	
Cash payments to employees for services	<u>(206,308)</u>	
Net cash (used) by operating activities	<u>(191,965)</u>	
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Interprogram due to (from)	22,155	
Operating transfers in(out)	15,000	(15,000)
Tenant security deposits	4,383	
Operating grants	125,452	15,000
Other revenue	<u>29,720</u>	
Net cash provided by noncapital financing activities	<u>196,710</u>	
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Capital grants		15,000
Payments for capital acquisitions	<u>(14,710)</u>	<u>(15,000)</u>
Net cash (used) by capital and related financing activities	<u>(14,710)</u>	
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investments increased by	(4,958)	
Receipts of interest and dividends	<u>5,358</u>	
Net cash provided by investing activities	<u>400</u>	
Net increase(decrease) in cash	(9,565)	
Cash and cash equivalents, beginning	<u>47,989</u>	
Cash and cash equivalents, ending	<u>\$ 38,424</u>	<u>\$</u>

Housing Choice Vouchers <u>14.871</u>	<u>Totals</u>
\$	\$ 281,335
(3,535,764)	(3,802,756)
<u>(159,712)</u>	<u>(366,020)</u>
<u>(3,695,476)</u>	<u>(3,887,441)</u>
(22,155)	
6,388,084	4,383
<u>6,388,084</u>	<u>6,528,536</u>
	<u>29,720</u>
<u>6,365,929</u>	<u>6,562,639</u>
(34,841)	15,000
<u>(34,841)</u>	<u>(64,551)</u>
(34,841)	
<u>(34,841)</u>	<u>(49,551)</u>
(9,881)	(14,839)
<u>19,893</u>	<u>25,251</u>
<u>10,012</u>	<u>10,412</u>
2,645,624	2,636,059
<u>403,454</u>	<u>451,443</u>
<u>\$ 3,049,078</u>	<u>\$ 3,087,502</u>

TAYLOR HOUSING COMMISSION
COMBINING STATEMENT OF CASH FLOWS
BY PROGRAM (CONTINUED)
Year Ended March 31, 2007
=====

C-871	Capital
Low Rent	Fund
Program	Program
<u>14.850a</u>	<u>14.872</u>

**RECONCILIATION OF OPERATING INCOME
(LOSS) TO NET CASH PROVIDED BY
OPERATING ACTIVITIES:**

Operating income(loss)	\$(355,675)	\$
Adjustments to reconcile operating (loss) to net cash provided(used) by operating activities:		
Depreciation	150,204	
Changes in assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable-tenants	(1,269)	
Prepaid expenses	(16,023)	
Increase (decrease) in liabilities:		
Accounts payable	18,661	
Accrued wage/payroll taxes payable	7,362	
Accrued compensated absences	1,809	
Deferred revenues	<u>2,966</u>	
Net cash (used) by operating activities	<u>\$(191,965)</u>	<u>\$</u>

Housing Choice Vouchers <u>14.871</u>	<u>Totals</u>
 \$(3,698,960)	 \$(4,054,635)
 3,484	 153,688
	(1,269)
	(16,023)
	18,661
	7,362
	1,809
<u> </u>	<u>2,966</u>
 <u><u>\$(3,695,476)</u></u>	 <u><u>\$(3,887,441)</u></u>

TAYLOR HOUSING COMMISSION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND NOTES TO THE SCHEDULE OF FEDERAL AWARDS
Year Ended March 31, 2007

=====

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Fiscal Year	<u>Federal Grantor</u>	<u>CFDA No.</u>	<u>Expenditures</u>
	<u>U.S. Department of HUD</u>		
	<u>Public and Indian Housing</u> <u>Nonmajor - Direct Program</u>		
2007	Low Rent Public Housing	14.850a	\$ 125,452
	<u>Public and Indian Housing</u> <u>Nonmajor - Direct Program</u>		
2007	Capital Fund Program	14.872	30,000
	<u>Low Income Public Housing</u> <u>Major - Direct Program</u>		
2007	Housing Choice Vouchers	14.871	<u>3,698,960</u>
	Total		<u>\$3,854,412</u>

NOTES TO THE SCHEDULE OF FEDERAL AWARDS

NOTE 1: Significant Accounting Policies

The schedule of federal awards has been prepared on the accrual basis of accounting.

CFDA = Catalog of Federal Domestic Assistance

TAYLOR HOUSING COMMISSION
FINANCIAL DATA SCHEDULE
Year Ended March 31, 2007
=====

FDS Line Item No.		C-871 Low Rent Program <u>14.850a</u>	Capital Fund Program <u>14.872</u>
	ASSETS		
	Current Assets:		
	Cash:		
111	Cash-unrestricted	\$ 4,428	\$
114	Cash-tenant security deposits	<u>33,996</u>	<u></u>
100	Total cash	<u>38,424</u>	<u></u>
	Receivables:		
126	A/R-tenants-dwelling rents	<u>3,307</u>	<u></u>
120	Total receivables, net of allowance for doubtful accounts	<u>3,307</u>	<u></u>
131	Investments-unrestricted	<u>108,106</u>	<u></u>
	Other Current Assets:		
142	Prepaid expenses and other assets	34,714	
144	Interprogram due from	<u></u>	<u></u>
	Total other current assets	<u>34,714</u>	<u></u>
150	Total current assets	<u>184,551</u>	<u></u>
	Noncurrent Assets:		
	Fixed Assets:		
161	Land	760,000	
162	Buildings	4,143,266	
163	Furn, equip & mach-dwellings	220,993	
164	Furn, equip & mach-admin.	170,014	
166	Accumulated depreciation	(3,076,953)	
167	Construction in progress	<u></u>	<u>15,000</u>
160	Total fixed assets, net of accumulated depreciation	<u>2,217,320</u>	<u>15,000</u>
180	Total noncurrent assets	<u>2,217,320</u>	<u>15,000</u>
190	Total Assets	<u>\$ 2,401,871</u>	<u>\$ 15,000</u>

Housing Choice Vouchers 14.871	Totals
<u>\$3,049,078</u>	<u>\$ 3,053,506</u>
	<u>33,996</u>
<u>3,049,078</u>	<u>3,087,502</u>
	<u>3,307</u>
	<u>3,307</u>
<u>259,881</u>	<u>367,987</u>
	<u>34,714</u>
<u>26,037</u>	<u>26,037</u>
<u>26,037</u>	<u>60,751</u>
<u>3,334,996</u>	<u>3,519,547</u>
	<u>760,000</u>
	<u>4,143,266</u>
	<u>220,993</u>
63,884	<u>233,898</u>
(32,527)	<u>(3,109,480)</u>
	<u>15,000</u>
<u>31,357</u>	<u>2,263,677</u>
<u>31,357</u>	<u>2,263,677</u>
<u>\$3,366,353</u>	<u>\$ 5,783,224</u>

TAYLOR HOUSING COMMISSION
FINANCIAL DATA SCHEDULE (CONTINUED)
Year Ended March 31, 2007
=====

FDS Line Item No.		C-871 Low Rent Program <u>14.850a</u>	Capital Fund Program <u>14.872</u>
LIABILITIES and NET ASSETS			
	Liabilities:		
	Current Liabilities:		
312	Accounts payable<=90 days	\$ 18,661	\$
321	Accrued wage/payroll taxes payable	7,362	
322	Accrued compensated absences-current portion	1,024	
341	Tenant security deposits	33,996	
342	Deferred revenues	4,780	
347	Interprogram due to	<u>26,037</u>	
310	Total current liabilities	91,860	
	Noncurrent Liabilities:		
354	Accrued compensated absences	<u>9,214</u>	
300	Total liabilities	<u>101,074</u>	
	Net Assets:		
508.1	Invested in capital assets	<u>2,217,320</u>	<u>15,000</u>
508	Total invested in capital assets	2,217,320	15,000
512.1	Unrestricted net assets	<u>83,477</u>	
513	Total Net Assets	<u>2,300,797</u>	<u>15,000</u>
600	Total Liabilities and Net Assets	<u>\$ 2,401,871</u>	<u>\$ 15,000</u>

Housing Choice Vouchers <u>14.871</u>	<u>Totals</u>
\$	\$ 18,661
	7,362
	1,024
	33,996
	4,780
<u> </u>	<u>26,037</u>
	91,860
<u> </u>	<u>9,214</u>
<u> </u>	<u>101,074</u>
<u>31,357</u>	<u>2,263,677</u>
31,357	2,263,677
<u>3,334,996</u>	<u>3,418,473</u>
<u>3,366,353</u>	<u>5,682,150</u>
<u>\$3,366,353</u>	<u>\$ 5,783,224</u>

TAYLOR HOUSING COMMISSION
FINANCIAL DATA SCHEDULE (CONTINUED)
 Year Ended March 31, 2007
 =====

FDS Line Item No.		C-871 Low Rent Program <u>14.850a</u>	Capital Fund Program <u>14.872</u>
	Revenue:		
703	Net tenant rental revenue	\$ 272,389	\$
704	Tenant revenue-other	<u>7,249</u>	<u></u>
705	Total tenant revenue	279,638	
706	HUD PHA grants	125,452	15,000
706.1	Capital grants		15,000
711	Investment income-unrestricted	5,358	
715	Other income	<u>29,720</u>	<u></u>
700	Total revenue	<u>440,168</u>	<u>30,000</u>
	Expenses:		
	Administrative:		
911	Administrative salaries	84,702	
912	Auditing fees	5,700	
914	Compensated absences	1,809	
915	Employee benefit contributions-adm.	46,728	
916	Other operating-administrative	10,886	
	Tenant Services:		
924	Tenant services-other	2,589	
	Utilities:		
931	Water	25,399	
932	Electricity	76,046	
933	Gas	44,593	
	Ordinary maintenance and operation:		
941	Ordinary maint & oper-labor	69,815	
942	Ordinary maint & oper-mat'ls & other	22,146	
943	Ordinary maint & oper-contract costs	37,554	
945	Employee benefit contributions	14,234	
	General expenses:		
961	Insurance premiums	42,180	
962	Other general expenses	697	
964	Bad debt-tenant rents	<u>31</u>	<u></u>
969	Total operating expenses	<u>485,109</u>	<u></u>
970	Excess operating revenue over operating expenses	<u>(44,941)</u>	<u>30,000</u>

Housing Choice Vouchers <u>14.871</u>	<u>Totals</u>
\$	\$ 272,389
	<u>7,249</u>
	279,638
6,388,084	6,528,536
	15,000
19,893	25,251
	<u>29,720</u>
<u>6,407,977</u>	<u>6,878,145</u>
130,892	215,594
3,600	9,300
	1,809
28,820	75,548
111,172	122,058
	2,589
	25,399
	76,046
	44,593
	69,815
	22,146
63,105	100,659
	14,234
	42,180
	697
	<u>31</u>
<u>337,589</u>	<u>822,698</u>
<u>6,070,388</u>	<u>6,055,447</u>

TAYLOR HOUSING COMMISSION
FINANCIAL DATA SCHEDULE (CONTINUED)
 Year Ended March 31, 2007
 =====

FDS Line Item No.		C-871 Low Rent Program <u>14.850a</u>	Capital Fund Program <u>14.872</u>
	Expenses continued:		
	Other expenses:		
973	Housing assistance payments		
974	Depreciation expense	<u>150,204</u>	<u> </u>
	Total other expenses	<u>150,204</u>	<u> </u>
900	Total expenses	<u>635,313</u>	<u> </u>
	Other Financing Sources(Uses):		
1001	Operating transfers in(out)	<u>15,000</u>	<u>(15,000)</u>
1000	Excess (deficiency) of operating revenue over(under) expenses	(180,145)	15,000
1103	Beginning Net Assets	2,254,884	211,058
1104	Prior period adjustments, equity transfers and correction of errors	<u>226,058</u>	<u>(211,058)</u>
	Ending Net Assets	<u>\$ 2,300,797</u>	<u>\$ 15,000</u>

Housing Choice Vouchers <u>14.871</u>	<u>Totals</u>
3,357,887	3,357,887
<u>3,484</u>	<u>153,688</u>
<u>3,361,371</u>	<u>3,511,575</u>
<u>3,698,960</u>	<u>4,334,273</u>
<u> </u>	<u> </u>
2,709,017	2,543,872
657,336	3,123,278
<u> </u>	<u>15,000</u>
<u>\$3,366,353</u>	<u>\$ 5,682,150</u>

**Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an
Audit of Financial Statements Performed in Accordance
with Government Auditing Standards**

Board of Housing Commissioners
Taylor Housing Commission
Taylor, Michigan

I have audited the financial statements of the business-type activities of Taylor Housing Commission, Michigan, (Housing Commission) as of and for the year ended March 31, 2007, which collectively comprise the Housing Commission's basic financial statements and have issued my report thereon dated November 16, 2007. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Housing Commission's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Housing Commission's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on

Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an
Audit of Financial Statements Performed in Accordance
with *Government Auditing Standards*
Taylor Housing Commission
Page Two

Compliance and Other Matters (continued)

compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the audit committee, management, Board of Housing Commissioners, the Michigan Department of Treasury, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Sary E. Shultz, CPA, PC

November 16, 2007

**Report on Compliance with Requirements
Applicable To Each Major Program and
Internal Control over Compliance
in Accordance with OMB Circular A-133**

Board of Housing Commissioners
Taylor Housing Commission
Taylor, Michigan

Compliance

I have audited the compliance of Taylor Housing Commission, Michigan, (Housing Commission) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended March 31, 2007. The Housing Commission's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Housing Commission's management. My responsibility is to express an opinion on the Housing Commission's compliance based on my audit.

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Housing Commission's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination of the Housing Commission's compliance with those requirements.

Report on Compliance with Requirements
Applicable to Each Major Program and
Internal Control Over Compliance in
Accordance with OMB Circular A-133
Taylor Housing Commission
Page Two

Compliance (continued)

As described in item 07-2 in the accompanying schedule of findings and questioned costs, the Housing Commission, did not comply with requirements regarding eligibility and the reasonable rent tests that are applicable, in our opinion, for the Housing Commission, to comply with requirements applicable to the Housing Choice Voucher program.

In my opinion, except for the noncompliance described in the preceding paragraph, the Housing Commission complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended March 31, 2007.

Internal Control Over Compliance

The management of the Housing Commission is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing my audit, I considered the Housing Commission's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

I noted certain matters involving the internal control over compliance and its operation that I consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in my judgment, could adversely affect the Housing Commission's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying schedule of findings and questioned costs as item 07-2.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, I consider item 07-2 to be a material weakness.

Report on Compliance with Requirements
Applicable to Each Major Program and
Internal Control Over Compliance in
Accordance with OMB Circular A-133
Taylor Housing Commission
Page Three

This report is intended solely for the information and use of the audit committee, management, Board of Housing Commissioners, the City of Taylor, the Michigan Department of Treasury, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Sandy E. Tardella, CPA, PC

November 16, 2007

TAYLOR HOUSING COMMISSION
STATUS OF PRIOR AUDIT FINDINGS
March 31, 2007

=====

The prior audit report for the year ended March 31, 2007 contained no audit findings.

TAYLOR HOUSING COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 March 31, 2007
 =====

SECTION I - SUMMARY OF AUDITOR RESULTS

Financial Statement:

Type of Auditor's Report issued: Unqualified

Internal control over financial reporting:

- * Material weakness(es) identified? No
- * Reportable condition(s) identified that are not considered to be a material weaknesses? None reported

Noncompliance material to financial statements noted? No

Is a "going concern" explanatory paragraph included in the audit report? No

Federal Awards:

Internal control over major programs:

- * Material weakness(es) identified? Yes
- * Reportable condition(s) that are not considered to be material weaknesses? No

Type of auditor's report issued on compliance for major programs: Qualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? No

Identification of major programs:

<u>CFDA Number</u>	<u>Federal Program</u>	<u>Amount Expended</u>	<u>Major Program</u>	<u>Compliance Requirement</u>	<u>Questioned Costs</u>	<u>Audit Finding</u>
14.850a	Low Rent Public Housing	\$ 125,452	No	E	N/A	07-1
14.872	Capital Fund Program	30,000	No	O	N/A	N/A
14.871	Voucher Program	3,698,960	Yes	E,N	N/A	07-2

The threshold for distinguishing Types A and B programs was \$300,000.

The Housing Commission was determined to be a low-risk auditee.

TAYLOR HOUSING COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
March 31, 2007
=====

SECTION II - FINANCIAL STATEMENT FINDINGS

None

SECTION III - FEDERAL AWARD FINDINGS

Low Rent Program - CFDA No. 14.850a

Finding Item 07-1: Year Ended March 31, 2007

Condition and Criteria: Required and recommended documentation is missing, incorrect, or incomplete in the tenant files.

Effect: It is difficult to determine if the tenants are eligible for the program or if the program is being run correctly without proper and complete documentation.

Cause: The staff in charge of this program did not obtain 100% of the correctly completed documentation.

Population and Items Tested: We selected the second tenant and every seventeenth one after that to test from an Ad-hoc Tenant Report provided by the Housing Commission. We selected a total of five tenant files to test from a population of 99 tenant files to choose from.

We found the following exceptions in the documentation in the tenant files:

	<u># of Exceptions</u>
1. Form HUD-50058 not in the tenant file	0
2. Privacy Act Notice for fiscal year not in tenant file or incorrect	0
3. Incorrect Verification of Income	0
4. Incorrect Verification of Expenses	1
5. Incorrect Verification of Assets	1
6. Inspection Report for fiscal year is missing or incorrect	0
7. Lease missing or incorrect	0
8. Application missing or incorrect	0
9. Copy of Photo I.D. missing	1
10. Copy of Proof of Social Security Number Verification missing	1
11. Worksheet for HUD-50058 missing or incorrect	0
12. Flat Rent/Income Based Rent Choice missing or incorrect	5
13. Notice of Rent Adjustment missing or incorrect	0
14. Criminal Background Check not done, not documented, or it was in the file	0
15. Declaration of 214 Status missing or incorrect	1
16. Check for Previous Eviction from Public Housing not done or incorrect	0
17. Annual Family Composition Review missing or incorrect	0
18. Annual Review missing or incorrect	0
Total	<u>10</u>

TAYLOR HOUSING COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
 March 31, 2007

SECTION III - FEDERAL AWARD FINDINGS (CONTINUED)

Low Rent Program - CFDA No. 14.850a

Finding Item 07-1 (continued): Year Ended March 31, 2007

Population and Items Tested (continued):

Out of a possible 90, there were 10 exceptions from this test. This represents an exception rate of 11.11%.

The following is a short summary of exceptions:

<u>File</u>	<u>Client Number</u>	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>	<u>6</u>	<u>7</u>	<u>8</u>	<u>9</u>
1	418								x	
2	417								x	
3	617			x					x	
4	313						x		x	
5	311			x					x	
Number of Hits		<u>0</u>	<u>0</u>	<u>2</u>	<u>0</u>	<u>0</u>	<u>1</u>	<u>0</u>	<u>5</u>	<u>0</u>
Percentage of Hits		<u>0%</u>	<u>0%</u>	<u>40%</u>	<u>0%</u>	<u>0%</u>	<u>20%</u>	<u>0%</u>	<u>100%</u>	<u>0%</u>

LEGEND

1. No proper evidence that a criminal background check was conducted or it was in the tenant files. It may not be kept in the tenant files unless an appeal or hearing is pending.
2. Check for eviction from federal housing not conducted.
3. Proper Income/Expense/Asset verification not conducted or it was incorrect.
4. Form HUD-50058 could not be located in the tenant files.
5. HUD-Form 9886, Release of Information/Privacy Act Notice not in the file or it was not properly completed for the fiscal year reviewed.
6. Social Security Number not verified with required documentation.
7. The Housing Commission could not locate the tenant file.
8. The Housing Commission could not locate missing documents.
9. The tenant was not eligible to participate in the program.

Auditor's Recommendation: We recommend that the Housing Commission document the tenant's annual written choice of flat rent or income based rent.

TAYLOR HOUSING COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
March 31, 2007
=====

SECTION III - FEDERAL AWARD FINDINGS (CONTINUED)

Housing Choice Voucher Program CFDA No. 14.871

Finding Item 07-2: Year Ended March 31, 2007

Condition and Criteria: Required and recommended documentation is missing, incorrect, or incomplete in the tenant files.

Effect: It is difficult to determine if the tenants are eligible for the voucher or if the program is being run correctly without proper and complete documentation.

Cause: The staff in charge of this program did not obtain 100% of the correctly completed documentation.

Population and Items Tested: We started with the 22nd file and selected every 45th one after that until a total of 19 tenant files were selected to be tested from an Ad-hoc Tenant Report provided by the Taylor Housing Commission. If tenants were very new, an alternative that was close to them was selected. In order to have a fairly even selection of files from all managers, some of the tenants selected at the end of the list did not have their files reviewed, and tenant files from another manager were selected to be reviewed using the haphazard method. We selected 19 tenant files to test from a population of 846 tenant files to select from.

TAYLOR HOUSING COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
 March 31, 2007
 =====

SECTION III - FEDERAL AWARD FINDINGS (CONTINUED)

Housing Choice Voucher Program CFDA No. 14.871

Finding Item 07-2 (continued): Year Ended March 31, 2007

We found the following exceptions in the documentation in the tenant files:

	<u># of Exceptions</u>
1. Form HUD-50058 not in the tenant file	0
2. Privacy Act Notice for fiscal year not in tenant file or incorrect	2
3. Incorrect Verification of Income	4
4. Incorrect Verification of Expenses	1
5. Incorrect Verification of Assets	2
6. Inspection Report missing for fiscal year or was incorrect	0
7. Lease missing or incorrect	1
8. Application missing or incorrect	0
9. Copy of Photo I.D. missing	0
10. Copy of Proof of Social Security Number Verification missing	0
11. Annual Review not done for fiscal year or not documented	0
12. Worksheet for HUD-50058 missing or incorrect	1
13. Notice of Rent Adjustment missing or incorrect	0
14. Criminal Background Check not done, not documented, or it was in the file	0
15. Declaration of 214 Status missing or incorrect	10
16. Lead Based Paint Disclosure missing or incorrect	2
17. Check for Previous Eviction from Public Housing not done or incorrect	4
18. Request for Tenancy Approval not done or incorrect	3
19. Voucher not in file or it was incorrect	6
20. HAP Contract missing or incorrect	1
21. HAP Tenancy Addendum missing	0
22. Rent Reasonableness Test missing or incorrect	11
23. Inspection-Life Threatening Corrections made >24 hours	0
24. Inspection-NonLife Threatening Corrections made >30 days or past extension	1
25. Proper Action not Taken if (23) or (24) was violated	0
26. Annual Family Composition Review missing or incorrect	6
Total	<u>55</u>

Out of a possible 494, there were 55 exceptions from this test. This represents an exception rate of 11.13%.

TAYLOR HOUSING COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
 March 31, 2007
 =====

SECTION III - FEDERAL AWARD FINDINGS (CONTINUED)

Housing Choice Voucher Program CFDA No. 14.871

Finding Item 07-2 (continued): Year Ended March 31, 2007

The following is a short summary of exceptions:

<u>File</u>	<u>Client Number</u>	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>	<u>6</u>	<u>7</u>	<u>8</u>	<u>9</u>
1	V-001-2016-01		x							
2	V-017-2137-00									
3	000063		x	x					x	
4	V-017-2115-03			x		x			x	
5	V-001-2153									
6	V-001-2085									
7	V-019-2060-01			x						
8	V-001-0006-01									
9	V-005-0243-02									
10	V-001-1149-02									
11	V-001-2141									
12	V-001-0027-02								x	
13	V-001-2146			x						
14	V-001-2100									
15	00000445									
16	V-041-000001		x							
17	V-001-2067		x							
18	V-001-2082									
19	V-001-2049-01			x		x			x	
Number of Hits		<u>0</u>	<u>4</u>	<u>5</u>	<u>0</u>	<u>2</u>	<u>0</u>	<u>0</u>	<u>4</u>	<u>0</u>
Percentage of Hits		<u>0%</u>	<u>21%</u>	<u>26%</u>	<u>0%</u>	<u>11%</u>	<u>0%</u>	<u>0%</u>	<u>21%</u>	<u>0%</u>

TAYLOR HOUSING COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
March 31, 2007
=====

SECTION III - FEDERAL AWARD FINDINGS (CONTINUED)

Housing Choice Voucher Program CFDA No. 14.871

Finding Item 07-2 (continued): Year Ended March 31, 2007

LEGEND

1. No proper evidence that a criminal background check was conducted or it was in the tenant files. It may not be kept in the tenant files unless an appeal or hearing is pending.
2. Check for eviction from federal housing not conducted.
3. Proper Income/Expense/Asset verification not conducted or it was incorrect.
4. Form HUD-50058 could not be located in the tenant files.
5. HUD-Form 9886, Release of Information/Privacy Act Notice not in the file or it was not properly completed for the fiscal year reviewed.
6. Social Security Number not verified with required documentation.
7. The Housing Commission could not locate the tenant file.
8. The Housing Commission could not locate missing documents.
9. The tenant was not eligible to participate in the program.

Auditor's Recommendation: It is recommended that the Housing Commission continue the process of correcting the tenant files where possible. Special attention should be given to the **214 Declaration Form**. Every household member should have a correct and complete 214 Declaration Form in the appropriate tenant file.

Also, during testing of the tenant files and through interviews, it was discovered that there was not a **rent reasonableness test** done in all required circumstances, or the documentation was not correct or it was not complete. It is recommended that the staff perform a rent reasonableness test when there is an increase in rent, for the initial leasing, and if there is a drop of five percent in Fair Market Rents as required by 24 CFR 982.507. In addition, the rent reasonableness form should be correct and complete in all cases.

TAYLOR HOUSING COMMISSION
ADJUSTING JOURNAL ENTRIES
 March 31, 2007
 =====

Electronic
 Submission

<u>Line Item #</u>	<u>Account Name</u>	<u>Debit</u>	<u>Credit</u>
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LOW RENT PROGRAM

		(1)	
114	Cash-tenant security deposits	\$ 33,996	
111	Cash-unrestricted		\$ 33,996

CAPITAL FUND PROGRAM

		(1)	
511.1	Restricted net assets	\$ 15,000	
508.1	Invested in capital assets		\$ 15,000